

## EFFECT OF STRATEGIC MANAGEMENT ON ORGANIZATIONAL PERFORMANCE OF MINISTRY OF BUDGET AND ECONOMIC PLANNING, ABUJA

ANTHONIA OKANGBE

08035956161

mavistonia@yahoo.com

### ABSTRACT

*This study examined the effect of strategic management on performance of Ministry of Budget and Economic Planning, Abuja. The major problem the organization faces are lack of clear definition of strategic management and its objectives. The research used strategic planning, strategic formulation, strategic implementation and strategic evaluation as independent variables influencing organizational performance. The population of the study is 536 staff as at March, 2024. The study employed a survey research design. Taro Yamane technique was used to get a sample size of respondents from the population of the study according to departments. Two hundred and twenty-nine (229) questionnaires were administered to the respondents, and only 175 were returned. The questionnaire was then coded and analyzed using the ordinary least square (OLS) regression method of data analysis. The research instrument used a 5-point Likert scale in the questionnaire. The findings showed that strategic planning and strategic formulation have a positive significant relationship with organizational performance. The study recommends, among others, that Ministry of Budget and Economic Planning, Abuja should encourage employees involvement in decision making since this will allow people to devote more of their resources to projects that will improve performance.*

**Keywords:** Strategic Planning, Strategic Formulation, Strategic. organizational performance, the Ministry of Budget and Economic Planning

### INTRODUCTION

Strategic management is globally becoming more relevant in contemporary times, especially in digitally inclined organizations due to its ability to ensure the cooperation of a diverse work force and to increase resource efficiency and also enhance organizational performance. Numerous sectors have changed as a result of globalization. Every shift necessitates better services and better products. In the age of globalization, strategic management is thought to be the most crucial technique that sets companies apart from one another.

Achieving an organization's vision, mission, strategy, and objectives requires the use of strategic management. The management of organizational resources toward the achievement of a goal or objective is known as strategic management (Al-Edenat 2023). Strategic management ought to be practiced by all organizations, regardless of their nature or purpose. To become more competitive and acquire more advantages, they need to use strategic management techniques. In continents like Europe, Asia and North America People who operate in business and industry, as well as those who exercise in

other sectors like organization are unable to resist the high demands of strategic management. This enormous challenge necessitates improvements in all aspects of the organization, including leadership, creativity, and inventive potential. For an organization to produce truly innovative goods, it must have procedures, systems, and frameworks that allow for the timely and effective completion of projects (Tushman, 2022). The use of strategic management techniques helps the organization to achieve its objectives. The successful use of innovative concepts within an organization is called invention (Scott,2018).

Any organization that does value strategic management principles will find it difficult competing in today's dynamic business world. Equally, employees who disregard strategic management do so because of a lack of vision and insight and this usually reflect in their performance at Work (Barrett 2018).

However, in Nigeria true success and ground-breaking innovation necessitate discomfort because discomfort pushes organizations to grow. This is why differences in opinion and ideas becomes a welcome idea. Diversity helps to bring new obstacles as well as new strategies that help to improve the growth of an organization (Chetty,2016). Elements or determinants of strategic management such as strategic planning, formulation, implementation as well as evaluation will if effectively managed will help the organization to grow in areas like emotional security, self-confidence as well as the ability to plan.

Galleli (2021), notes that strategic implementation and strategic evaluation are the major problems affecting the performance of Ministry of Budget and Economic Planning Abuja. Also, another problem the organization faces as regards strategic management is lack of clear definition of strategic management and its objectives. However, the secret to excellent productivity is in accurate strategic planning. It is important to note that strategic management has been proven to increase productivity, improve effective circular communication, speed up idea generation, distribute responsibility, and foster an environment where each person feels appreciated and empowered in a variety of businesses.

In order to determine whether and how organization may improve through strategic management, numerous researches have been conducted. However, no definite result has been arrived at as to the lasting solution to the problems of strategic management in organization. It is in this regard that this research is conducted to examine the effects of strategic management on the organizational performance of Ministry of Budget and Economic Planning Abuja.

Since the inception of Ministry of Budget and Economic Planning Abuja by Decree No. 12 of1992, the major problem the organization faces is lack of clear definition of strategic management and its objectives. This problem poses a threat to the organization's effectiveness, productivity, social capital as well as knowledge management as seen by the responses of employees. There is equally low productivity in the organization in terms of continuity of a particular strategic management objective when there is a new administration in power. In a bid to ameliorating the problem of lack of clear definition of strategic management and its objectives in the organization, the organization introduced in 2019 a program called Economic Recovery and Growth Plan (ERGP) which failed in achieving its objectives. After which the

National Development Control (NDC) and Economic Sustainable Plan (ESP) were equally introduced to proffer lasting solutions to the problem. This equally did not solve the problem as the issue of lack of clear definition of strategic management and its objectives continues to persist in the organization even after all the measures carried out by the management of the organization to solving the problem.

Although several scholars have attempted to investigate the impact of strategic management on the performance of organizations, little has been researched as regards its effect in the government owned organization. This is why the researcher considered the effect of strategic management in a government owned organization, that is the Ministry of Budget and Economic Planning, Abuja as it affects its performance.

The specific objectives are:

- i. To investigate the effect of strategic planning on organizational performance in the Ministry of Budget and Economic Planning.
- ii. To examine the effect of strategic formulation on organizational performance in the Ministry of Budget and Economic Planning.

The following null hypotheses will guide the study:

- i. Strategic planning has no significant positive effect on the organizational performance of Ministry of Budget and Economic planning Abuja.
- ii. Strategic formulation has no significant positive effect on the organizational performance of Ministry of Budget and Economic planning Abuja.

### **Scope of the Study**

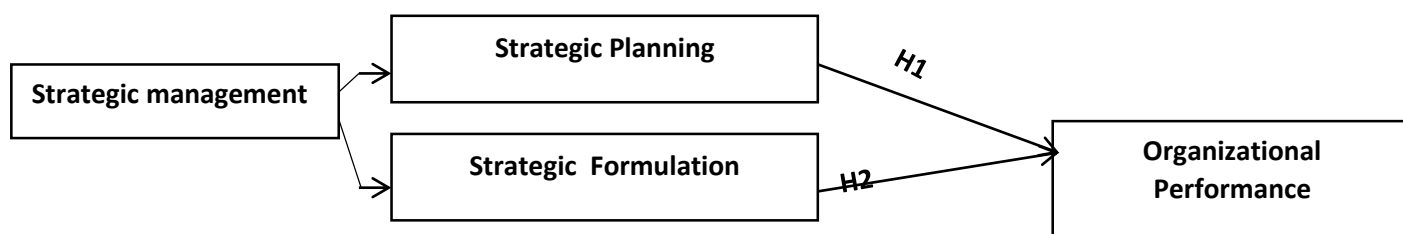
The study covered a period of ten years (2014 -2023) because a lot transformation regarding strategic management enhancement took place within this period. The independent variable (Strategic Management) proxies as used in the study are strategic planning, strategic formulation, strategic implementation as well as strategic evaluation. While the dependent variable (Organizational performance) proxies as used in the study are organizational effectiveness, social capital, knowledge management as well as productivity.

## **REVIEW OF RELATED LITERATURE**

### **Concept of Strategic Management.**

Strategic management deals with the planning, organizing, as well as directing and coordinating of resources in the future. Strategic management is majorly futuristic because management of an organization is a progressive in nature and so organization must take this into cognizance (Bracker, 1980). Management entails effective planning, which centers on knowing what to do and then knowing how to do it. Management involves putting things in the right order for effective usage. Strategic management deals with futuristic plans to enable organization survive effectively no matter the changes that eventually come up.

Strategic management tries to merge accounting, research, policy making and development management in other to have a clear picture of how to effectively to manage them in the future. Strategic management introduces ways of doing certain activity in other to achieve the organization's set goals



Strategic Management: Independent Variables (IV)

Dependent Variable (DV)

### Concept of Organizational Performance.

Organizational performance deals ratings of the organizations as regards the effective implementation of strategic policies. Al Ahababi (2019) observed that the use of knowledge production, knowledge capture and storage, knowledge sharing, and knowledge application has a good and significant impact on organizational performance of the public sector in terms of operations, quality, and innovation.

Internal performance results are typically measured by performance. Associated with improved or more efficient procedures, as well as other outside measures like corporate social responsibility that involve factors that go beyond economic assessment. According to Karanja (2018) performance is the work carried out by individuals or teams of individuals within an organization in accordance with each employee's authority and responsibility in an effort to fulfill the relevant organization's objectives morally, legally, and ethically. So, it is possible to argue that organizational performance is an example of the efforts made by the organization to attain its goal which are obviously influenced by the resources it possesses.

### Empirical Review

Paton (2023) analyzed the long-term impact of strategic management on performance, using strategic planning as a proxy. The study posited that employee efficiency promotes strategic management through enhanced employee involvement and organizational rewards. With a population of 380 employees and a sample size of 190, the study employed correlation analysis to test the hypotheses. The findings revealed a positive and significant relationship between strategic management and performance.

Baas (2020) investigated the relationship between collaboration and workplace efficiency. The study focused on employees' opinions in the Ministry of Budget and Economic Planning, Abuja. From a total population of 370 employees, a sample size of 134 was selected. The findings indicated a significant relationship between teamwork and workplace efficiency.

Barbosa (2020) established that organizations emphasizing strategy achieve better outcomes, improved employee performance, and increased productivity. The study used correlation analysis to test its hypotheses. It found that conducting tasks concurrently rather than sequentially saves time, while teams integrate information more effectively and affordably compared to traditional methods. Independent thinking, collaboration, and organizational skills were found to promote innovation and enhance information retention. The study, which had a population of 350 employees and a sample size of 170, concluded that independent variables had a strong positive impact on the dependent variable. The report recommended implementing team-building exercises to boost organizational productivity.

Al Ahbabi (2019) examined the role of strategic management in a firm's performance within an oil and Gas Company in Turkey. The study adopted a survey research design, and Taro Yamane's formula was used to reduce the population size from 1,300 to a sample size of 322. Ordinary least squares (OLS) regression analysis was employed, revealing a positive and significant relationship between strategic management and organizational performance.

## **Theoretical Framework**

### **Balance scorecard theory.**

The study is anchored on Balance scorecard theory. According to Kaplan and Norton (1992), formal management techniques, such as the Balanced Scorecard, are utilized for creating, implementing, and managing corporate strategies. However, assessing the effectiveness of these techniques remains a challenging task. The majority of the literature published on its application is written by people who have a stake in the technology's commercial success.

Though not particularly with regard to adopting a balanced scorecard, several articles have been written about obstacles to plan implementation. This indicates that studies on the implementation of BSC in business environments concentrate on maximizing organizational performance, assisting in decision-making, helping with component selection, evaluating results and learning, and promoting sustainable development and understanding of the application of the Balanced Scorecard in any type of organization.

## **METHODOLOGY**

The study adopted survey research design method which involve the distribution of questionnaires to respondents. The study focused on employees of the Ministry of Finance, Budget, and Economic Planning, Abuja, which had a total workforce of 536 staff members as of December 2023. Taro Yamane formula was used to derive a sample size of 229. 229 copies of a structured questionnaire were personally administered to respondents within the Federal Ministry of Budget and Economic Planning, Abuja. The questionnaire was designed to capture information relevant to the study, particularly regarding the relationship between strategic management and organizational performance. The responses were recorded, codified, and analyzed to generate meaningful insights. The research relied primarily on primary data sources, complemented by limited secondary data. The primary data was obtained through

the administration of the questionnaires, which proved valuable in gathering specific and original information directly related to the research topic. Both quantitative and descriptive statistical methods were employed for data analysis and interpretation. The collected data was carefully coded for ease of identification and subsequently analyzed using the Ordinary Least Squares (OLS) Regression Equation Model. This approach was used to examine the effect of strategic management on organizational performance.

The population size was reduced using Taro Yamame formula and an appropriate sample size was gotten (Faryadi,2019). It is shown below:

$$n=N/ [1+N (e) ^2]$$

Where: n is the sample size

N is the population of the study

$$e =\text{is the margin error in the calculation} =536/ [1+536(0.05)^2] \quad n=536/ [1+536 \times 0.0025] \quad n=536/ [1+1.3400000]$$

$$n=536/ [2.3400000] \quad n=229.0$$

$$n= 229$$

### Model Specification

The study used the OLS Regression Equation Model to analyze the effect of independent variables on the dependent variable. The model was specified as follows:

$$Y =\alpha + \beta_1 X_1 + \epsilon \dots \text{(i)}$$

$$Y =\alpha + \beta_1 X_1 + \epsilon \dots \text{(ii)}$$

Where: Y=Performance (dependent variable),

X<sub>1</sub>, X<sub>2</sub>, =Strategic planning, strategic formulation (Proxies for Strategic management.

(Independent Variable))  $\alpha$ =constant  $\beta$ =Regression coefficient (positively or negatively affecting the independent variables).  $\epsilon$ =Model error factor. In analysis the data and test the hypotheses, the statistical package for the social sciences computer software was used (SPSS, Statistics version 20).

### Reliability & Validity of Research Instrument

For the validity, copies of questionnaire were given to two senior lecturers and professors in the department of Business Administration for content validity. For the reliability test, a two times test was conducted. 0.72 was gotten for the cronbach Alpha.

**DATA ANALYSIS AND DISCUSSION OF FINDINGS**

**Test of Hypotheses**

Hypothesis testing on Regression analysis of response variables

**Hypothesis I**

**H0<sub>1</sub>:** There is no significant relationship between Strategic planning and performance in the Ministry of Budget and Economic Planning, Abuja.

The study employed simple linear regression, the least square estimates of the model parameters B<sub>0</sub> and B<sub>1</sub> are denoted b<sub>0</sub> and b<sub>1</sub>. Hence, an estimated regression equation for this hypothesis is constructed as  $y=b_0+b_1x$

$Y=0.844+0.654x$

**Table 1: Model Summary:**

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Sig F
1	.807 <sup>a</sup>	.652	.651	2.009	<.000

**Predictors: (Constant), Strategic planning** **Dependent variable: performance** **Source: Survey, 2023.**

From the above table, it can be deduced that R square is 0.651 which indicates a high and positive correlation between the dependent variable (organizational performance) and independent variable (strategic planning). It also specifies the degree at which the independent variable can explain the variance in the dependent variable. Therefore, the implication of this is that about 65.1% of the variation is explained by the variables in the model while the remaining 34.9% is explained by other factors which are not included in the model. The regression equation (model formulated) appears to be very useful for making predictions since the value of R<sup>2</sup> is close to 1.

Table 2

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1943.304	1	1943.304	301.662	.000 <sup>b</sup>
	Residual	1037.121	161	6.442		
	Total	2980.425	162			

a. Dependent Variable: organizational performance
b. Predictors: (Constant), strategic planning

Source: Field Survey, 2023

**Table 3: Coefficients**

Model	Unstandardized Coefficients		t	Sig.	95.0% Confidence Interval for B	
	B				Lower Bound	Upper Bound
	Std. Error					
	B	Std. Error				
1(Constant)	.844	.131	6.446	.000	.586	1.103
Strategic Planning	.654	.030	21.94	.000	.595	.713

**Dependent Variable: performance Source: Field Survey, 2023**

Table 3 provides information on the effects (the “Estimated Coefficients” or “beta”) of the independent variable on the dependent variable. The coefficient of the predictor is 0.654 compared with p-value of 0.0001 less than 0.05% (critical value), this implies that the variable has contributed to the model. Hence, it can be concluded that Strategic planning has significant impact on performance in the Federal Ministry of Finance, Budget and National Planning, Abuja.

**Hypothesis II**

**Ho2:** Strategic formulation in strategic management has no significant effect on performance in the Ministry of Budget and Economic Planning, Abuja.

The study employed simple linear regression, the least square estimates of the model parameters Bo and B1 are denoted b0 and b1. Hence, an estimated regression equation for this hypothesis is constructed as  $y=b_0+b_1x$

$Y= .431+.282x$

**TABLE 4: Model Summary**

Source: Field Survey, 2023

- a. Predictors: (Constant), Strategic formulation
- b. Dependent variable: Organizational Performance.

Model	R	R Square	Adjusted. R Square	Std. Error of The Estimate	Sig. F Change
1	.521a	.271	.268	1.943	.000

From the above table, it can be seen that  $R^2$  is 0.271; which indicates a positive correlation between the dependent variable (organizational performance) and independent variable (Strategic Formulation). It also explains specifies the degree at which the independent variable can explain the variance in the dependent variable. The implication of this is that about 27.1% of the variation is explained by the variable in the model while the remaining 72.9% is explained by other factors which are not included in the model. The regression equation (model formulated) appears to be very useful for making predictions since the value of  $R^2$  is close to 1.

**Table 5: ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	360.977	1	360.977	59.903	<.000
Residual	970.266	161	6.026		
Total	1331.243	162			

a. Predictors: (Constant): Strategic Formulation

b. Dependent Variable: performance

Source: Field Survey, 2023 From ANOVA table, the estimated F-value of 59.903 with significance level of 0.000, which is less than p-value of 0.05 ( $p < 0.05$ ); this indicates that explanatory variable can influence change in the dependent variable (organizational performance). Also, the table shows the summary of the results of analysis of variation in dependent variable with regression sum of square of 360.977 in comparison with the residual value of 970.266 which indicate that does not fail to explain the variation in the dependent variable.

**Table 6: Coefficients**

Model	Unstandardized		T	Sig	95.% Confidence Interval for B	
	B	Std Error			Lower	Upper
(Constant)	.431	.127	- 3.398	.001	-680	.181
Strategic Formulation	.2 82	.029	9.778	.000	.225	.339

b. Dependent Variable: Performance  
 Source: Field Survey, 2023

The table 6 provides information on the effects (the “Estimated Coefficients” or “beta”) of the independent variable on the dependent variable. The coefficient of the independent variables. 282 with-value of 0.0001lessthan0.05% (critical value), this implies that the variable has contributed to the model. Hence, it can be concluded that Strategic formulation in Strategic management has significant effect on organizational performance in the Ministry of Budget and Economic Planning, Abuja.

**Discussion of major Findings.**

This section discusses the results of this study. Two hundred and twenty-nine (229) copies of structured questionnaires were administered to the targeted respondents, and 76.9% of the usable copies were returned. The retrieved copies were used for analysis in this study.

From the analysis and test of hypothesis 1, it was evident that there is a significant relationship between strategic planning and performance. This finding confirms that the Ministry of Budget and Economic Planning, has achieved one of its mandates, which is to annually appraise the National Assembly’s work and functions on the progress made with regards to the implementation of plans, programs, and projects. This is consistent with the work of (Chege 2017).

To test Hypothesis II, this states that employee participation in strategic management has no significant effect performance. The mandate in the Ministry of Budget Economic planning helps to coordinate and facilitate its implementation at the federal, state, and local government levels. The study stated that employee participation in strategic management has a significant impact on performance in the Organization. This is consistent with the findings of (Chetty 2016).

## CONCLUSION AND RECOMMENDATIONS

The organization will be more productive as a result of improved strategic planning and strategic formulation. Strategic formulation will increase in the organization if strategic management is properly evaluated for performance advancement in the Ministry of Budget and Economic Planning. Additionally, effective strategic planning will promote and distribute workload, effective communication, and the development of a productive workplace for the staff.

This study came up with the following recommendations based on the strength of the study's findings and analyses:

- i. The management of the organization should through strategic planning develop and design suitable solutions that would help to improve organizational effectiveness.
- ii. The management of the organization should consider formulating strategies that would help the organization to be more productive and efficient, since there is a positive relationship between strategic formulation and productivity.

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